

**REPORT OF THE AUDIT OF THE  
GALLATIN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable George Zubaty, Gallatin County Judge/Executive

Honorable Tracy Miles, Gallatin County Clerk

Members of the Gallatin County Fiscal Court

The enclosed report prepared by Stephens & Lawson, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Gallatin County, Kentucky, for the year ended December 31, 2001.

We engaged Stephens & Lawson, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, PSC, evaluated the Gallatin County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GALLATIN COUNTY CLERK**

**Calendar Year 2001**



## **EXECUTIVE SUMMARY**

### **GALLATIN COUNTY TRACY MILES, COUNTY CLERK CALENDAR YEAR 2001 FEE AUDIT**

The Gallatin County Clerk's 2001 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees increased by \$896 from the prior calendar year, resulting in a cash surplus of \$1,947 as of December 31, 2001. Revenues increased by \$22,530 from the prior year and disbursements increased by \$21,634.

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.

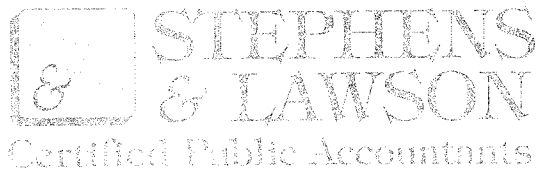




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To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
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Dana Mayton, Secretary, Revenue Cabinet  
Honorable George Zubaty, County Judge/Executive  
Honorable Tracy Miles, Gallatin County Clerk  
Members of the Gallatin County Fiscal Court

Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Gallatin County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
September 23, 2002

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**GALLATIN COUNTY**  
**TRACY MILES, COUNTY CLERK**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**

Calendar Year 2001

**RECEIPTS**

State Fees For Services		\$	3,114
Fiscal Court			
Election Workers	\$	5,968	
Loan		10,000	
To Cover Operating Expenses		<u>3,400</u>	19,368
Licenses and Taxes:			
Motor Vehicle -			
Licenses and Transfers	\$	182,641	
Usage Tax		409,181	
Tangible Personal Property Tax		502,967	
Licenses -			
Fish and Game		12,481	
Marriage		2,933	
Occupational		4,526	
Deed Transfer Tax		17,663	
Delinquent Tax		80,162	
Late Fees		<u>2,636</u>	1,215,190
Fees Collected For Services:			
Recordings -			
Deeds, Easements, and Contracts	\$	6,662	
Real Estate Mortgages		16,801	
Chattel Mortgages and Financing Statements		23,263	
Powers of Attorney		414	
All Other Recordings		10,698	
Charges for Other Services -			
Candidate Filing Fees		1,820	
Copywork		5,521	
Miscellaneous		<u>2,923</u>	68,102
Other:			
Cash Overages	\$	364	
Overpayments		<u>9,992</u>	10,356
Borrowed Money:			
Loan from County Clerk			3,400
Interest Earned			<u>342</u>
<b>TOTAL RECEIPTS (CARRIED FORWARD)</b>		\$	<b>1,319,872</b>

The accompanying notes are an integral part of the financial statement.

**GALLATIN COUNTY**  
**TRACY MILES, COUNTY CLERK**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**  
 Calendar Year 2001  
 (Continued)

**DISBURSEMENTS**

Payments to State:

Motor Vehicle -			
Licenses and Transfers	\$	138,636	
Usage Tax		399,323	
Tangible Personal Property Tax		188,967	
Licenses -			
Fish and Game		12,189	
Delinquent Tax		9,431	
Legal Process Tax		7,705	
		<hr/>	\$ 756,251

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	55,419	
Delinquent Tax		8,278	
Deed Transfer Tax		16,780	
Occupational Licenses		3,787	
Loan Repayment		10,000	
		<hr/>	94,264

Payments to Other Districts:

Tangible Personal Property Tax	\$	239,874	
Delinquent Tax		42,996	
		<hr/>	282,870

Payments to Sheriff 700

Payments to County Attorney 11,686

Operating Disbursements and Capital Outlay:

Personnel Services -		
Deputies Salaries	\$	58,211
Part Time Salaries		3,466
Overtime Gross		315
Employee Benefits -		
Employer's Share Social Security		9,151
Contracted Services -		
Printing and Binding		839
Copier Lease		4,130
Materials and Supplies -		
Election Expenses		1,080
Miscellaneous Supplies		3,760
Other Charges -		
Bad Checks		82
Bank Fees		54
Conventions and Travel		2,121
Dues		350

The accompanying notes are an integral part of the financial statement.

**GALLATIN COUNTY**  
**TRACY MILES, COUNTY CLERK**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**  
 Calendar Year 2001  
 (Continued)

**DISBURSEMENTS** (Continued)

Other Charges (Continued) -			
Miscellaneous	\$	4,579	
Postage		4,614	
Preparing Tax Bills		1,131	
Refunds for Cancellations		168	
Refunds for Overages		9,949	
Telephone		2,408	
Capital Outlay -			
Office Equipment		827	
Borrowed Money			
Repayment to County Clerk		<u>3,400</u>	\$ 110,635
Total Disbursements			<u>\$ 1,256,406</u>
Net Receipts			\$ 63,466
Less: Statutory Maximum	\$	55,730	
Training Incentive		<u>2,189</u>	<u>57,919</u>
Excess Fees			\$ 5,547
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2001			\$ 1,947
Payment to County Treasurer - April 23, 2002			<u>1,947</u>
<b>BALANCE DUE AT COMPLETION OF AUDIT</b>			<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statement.

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**December 31, 2001**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Fund Accounting**

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

**B. Basis of Accounting**

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

**C. Cash and Investments**

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**NOTE 2 – EMPLOYEE RETIREMENT SYSTEM**

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

**GALLATIN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)**

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)**

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.



### **NOTE 3 - DEPOSITS**

The County Clerk maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

### **NOTE 4 – LIBRARY AND ARCHIVES GRANT**

During calendar year 1999 the County Clerk received a grant for microfilming and records retrieval equipment. There was an unexpended balance of \$2,560 as of January 1, 2001. The account earned interest this calendar year of \$8 and expended \$2,568 to complete the grant and close out the account.

### **NOTE 5 – OPERATING LEASE**

The office of the County Clerk is committed to a lease agreement with Triple M Business Products for two copiers. The agreement requires a monthly payment of \$140 for 60 months to be completed on January 18, 2005. The total balance of the agreement is \$5,040 as of December 31, 2001.

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**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable George Zubaty, County Judge/Executive  
Honorable Tracy Miles, Gallatin County Clerk  
Members of the Gallatin County Fiscal Court

Report on Compliance and on Internal Control Over Financial Reporting Based on an  
Audit of the Financial Statement Performed in Accordance With Government Auditing Standards

We have audited the Gallatin County Clerk as of December 31, 2001, and have issued our report thereon dated September 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Gallatin County Clerk's financial statement as of December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Gallatin County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
September 23, 2002

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